

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 9/15/2015	(3) CONTACT/PHONE Will Clemens, Department Administrator (805) 781-5299	
(4) SUBJECT Hearing to consider protests to a proposed water service charge increase in San Luis Obispo County Service Area No. 23 (Santa Margarita) and consider adoption of the Ordinance if no majority protest exists. District 5.			
(5) RECOMMENDED ACTION It is recommended that the Board: 1. Hold a hearing to consider protests to the proposed increase in Water Service Charges in County Service Area No. 23, and upon conclusion of the hearing determine whether there is a majority protest; and 2. If there is not a majority protest, adopt the attached Ordinance, which amends the Water Service Charges in County Service Area No. 23; and 3. If adopted, the Board waive the reading of the ordinance.			
(6) FUNDING SOURCE(S) County Service Area 23 Water Rates	(7) CURRENT YEAR FINANCIAL IMPACT \$69,375.00 Revenue	(8) ANNUAL FINANCIAL IMPACT \$92,500.00 Revenue	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT { } Consent { } Presentation {X} Hearing (Time Est. <u>30 min</u>) { } Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS { } Resolutions { } Contracts {X} Ordinances { } N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A { } 4/5 Vote Required {X} N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY { } N/A Date: 7/21/15 #1	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim			
(18) SUPERVISOR DISTRICT(S) District 5			

Reference: 15SEP15-H-1

County of San Luis Obispo



TO: Board of Supervisors
FROM: Public Works
Will Clemens, Department Administrator
VIA: Dave Flynn, Deputy Director of Public Works
DATE: 9/15/2015

SUBJECT: Hearing to consider protests to a proposed water service charge increase in San Luis Obispo County Service Area No. 23 (Santa Margarita) and consider adoption of the Ordinance if no majority protest exists. District 5.

RECOMMENDATION

It is recommended that the Board:

1. Hold a hearing to consider protests to the proposed increase in Water Service Charges in County Service Area No. 23, and upon conclusion of the hearing determine whether there is a majority protest; and
2. If there is not a majority protest, adopt the attached Ordinance, which amends the Water Service Charges in County Service Area No. 23; and
3. If adopted, the Board waive the reading of the ordinance.

DISCUSSION

It is necessary to amend service charges for the County Service Area No. 23 (CSA 23), the Santa Margarita water system, to provide adequate funding for capital replacement, debt service, operations and maintenance expenditures. This adjustment is necessary given the reduced water consumption in the community due to the drought and water conservation efforts to meet the Governor's statewide reduction target of 25%. Consumption has decreased by 32% from the high point in fiscal year 2003/2004 and must decrease even further in order to meet the Governor's target reduction level. The Governor's conservation target of 51,310 CCF for Santa Margarita is assumed for the purpose of developing the new rate structure.

The result of this reduction in consumption is that the revenue generated by the current rate structure is insufficient to cover the operating expenses of the system. This revenue shortfall has been slowly reducing the reserve balances in CSA 23 which are now critically low at less than \$50,000.

The last non-inflationary water rate increase in Santa Margarita was seven years ago in 2008. That increase was needed for increased debt service costs related to capital improvements for a new water tank and waterline upgrades throughout the community. The attached “County Service Area 23 – Santa Margarita Water Rate Analysis” provides a more detailed analysis of the need for the increase.

Water bills are computed on a bi-monthly basis (every other month). The charge for water is based on the amount of water used, measured in hundred cubic feet. This is abbreviated as CCF. One CCF equals 748 gallons. The following table illustrates the proposed rate change to the Basic Bi-Monthly Charge for Water Service:

Basic Bi-Monthly Charge for Water Service:	
Allowable Quantity	Present Rate
0 CCF to 10 CCF *	\$61.41 Minimum Charge
11 CCF to 16 CCF	\$2.93 Per CCF
Greater than 16 CCF	\$3.76 Per CCF
Allowable Quantity	New Rate
0 CCF	\$44.64 Minimum Charge
Greater than 0 CCF	\$4.55 Per CCF
<p>All rates shall be adjusted annually every July 1 by the average of the percentage increases in the Consumer Price Index (CPI) for “All Urban Wage Earners and Clerical Workers” for all items for San Francisco/Oakland/San Jose and Los Angeles/Riverside/Orange Co. categories as published by the Bureau of Labor Statistics in April of each year with the allowable water quantities remaining unchanged.</p> <p><i>* (CCF is Hundred Cubic Feet or 748 gallons)</i></p>	

As indicated in Table 1 of the attached Water Rate Analysis, revenues derived from the water rates and charges will not exceed the funds required to provide water service, or be used for any other purpose. In addition, the rates will not exceed the proportional cost of providing water to each customer. These charges will not be imposed unless water service is actually used by, or immediately available to, the property.

These actions will complete the Proposition 218 process followed in order to increase water rates. Notice was mailed to all property owners and customers in CSA 23 which explained the need for the rate increase and provided direction on how to protest the proposed increase. It also provided notice of this Protest Hearing. In addition, it provided notice of a community meeting that was held on September 10, 2015 to provide information and answer questions regarding the proposed increase.

OTHER AGENCY INVOLVEMENT/IMPACT

County Counsel has reviewed the subject Ordinance and approved it as to legal form and effect. Required public notice in accordance with Article XIII D of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code) has been satisfied.

The CSA 23 Advisory Committee has participated in discussions on the need for the rate increase and provided input. An informational presentation was given to the community on September 10, 2015.

FINANCIAL CONSIDERATIONS

The recommended annual adjustment of all rates based on the Consumer Price Index will ensure sufficient revenues are generated to offset annual inflationary increases in expenditures. Additionally, the rate structure is being changed to eliminate the tiered water rates currently used. The new rate structure will consist of a reduced minimum charge to cover the costs of capital replacement and debt service and a uniform volumetric usage charge to cover the cost of operations and maintenance. Calculations of the new water rates are detailed in the attached "County Service Area 23 – Santa Margarita Water Rate Analysis."

Staff is in the process of managing the construction of an emergency intertie pipeline with Atascadero Mutual Water Company and Garden Farms Mutual Water Company to provide the infrastructure needed for additional water supply in an emergency. These improvements are completely grant funded and not dependent on this rate increase.

RESULTS

Adjusting water rates in CSA 23 will provide sufficient revenue needed for operations and maintenance, which will contribute to a safe, healthy, livable, and well-governed community in Santa Margarita.

ATTACHMENTS

1. Vicinity Map
2. County Service Area 23 – Santa Margarita Water Rate Analysis
3. Ordinance Establishing Water Service Charges for San Luis Obispo County Service Area 23 Santa Margarita

File: CF 320.580.03

Reference: 15SEP15-H-1

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